

**Summary of Testimony
of John Wells
Senior Vice President,
Long-Term Care, Conseco, Inc.**

- As one of the largest providers of long-term care insurance, Conseco's mission is to be a leading provider of financial security for life, health and retirement needs of middle-class Americans.
- Long Term Care policies are vital to an aging America. Skyrocketing medical and long-term care costs are placing a growing burden on consumers, as well as on taxpayers who fund publicly-financed protection programs such as Medicaid and Medicare. Americans are rightly concerned about whether their accumulated savings will adequately cover their possible needs for long-term care. With the baby boomer generation rapidly reaching retirement age, Americans living longer, corporate retirement benefits being curtailed and publicly-financed programs under stress, consumers should be encouraged to take the initiative to plan for their own futures.
- This is especially true for America's middle class—those who have too much money to be able to rely on Medicaid but are too poor to fully pay for their long-term care needs. Their untenable choice is to spend down their assets, sacrificing their financial legacy before turning to government assistance.
- We fully understand that we can only serve this need if consumers know us to be reliable, long-term partners. In short, we must demonstrate every day the value of this product and earn the trust of consumers.
- The facts show that their trust would be well-placed. Conseco today has nearly 600,000 active policyholders. We pay claims to between 24,000 and 25,000 policyholders every month for a total of three quarters of a billion dollars per year.
- Although we pay over 98% of submitted claims, there are instances in which we make mistakes. Some of those mistakes were caused by problems with systems and processes; some involved human error. We take full responsibility for those mistakes and I assure you, we have been working diligently over the past 18 months to improve our claims handling systems and procedures to serve our customers better. Since 2006, we have invested over 12 million dollars in system and process improvements, and plan to spend an additional 15 million dollars in 2008 and 2009. We are seeing very positive results in both the service levels and claim accuracy, and remain committed to the course we set in 2006 to achieve industry best practices throughout our operation. We have also stepped up our training procedures for field personnel and call centers alike to do a better job of selling the right policies in the right way and to assure that, once sold, these policies are administered in a timely and correct manner.
- Let me be very clear that Conseco is committed to being part of the solution to what otherwise could be a crisis in long-term care as the population ages. We are deeply concerned that misperceptions about these products and insurance companies may cause those who need this protection the most to avoid these products or let existing policies lapse.

Statement
of
John Wells
Senior Vice President, Long-Term Care
Conseco, Inc.
before the
United States House of Representatives
Committee on Energy & Commerce
Subcommittee on Oversight & Investigations
Hearing on
Long-Term Health Insurance
July 24, 2008

Good Morning, Chairman Stupak, Ranking Member Shimkus and members of the Committee. My name is John Wells. I have over 25 years of diversified experience in the insurance industry at companies including Chubb Life and Mutual of Omaha. I am currently senior vice president for long-term care at Conseco, Inc. since 2006.

In that role, I am responsible for developing and implementing a “Best in Class” service strategy through technology, process changes, quality, measurement, and organizational change. I certainly understand that “best in class” in anything is a moving target that requires continual improvement. Pursuing that goal at Conseco has been made more challenging due to the company’s recent history, including Chapter 11 bankruptcy, from which the company emerged in 2003, and the amalgamation of frequently incompatible systems from legacy companies acquired over a number of years.

Despite these challenges, I have been tremendously impressed by Conseco’s new management team, led by Jim Prieur, who joined the company nearly two years ago. Jim Prieur has brought a new spirit to Conseco and has made significant changes to improve the company under a “fix, focus and grow” strategy. A fundamental pillar of this strategy is to significantly improve customer service and we have made dramatic progress in that regard. I can assure you Conseco is focused on fixing and fundamentally improving its long-term business. We take our promises to policyholders seriously.

I appreciate the opportunity to meet with you today to discuss the important issue of long-term care insurance for Americans. In my testimony today, I will provide information about Consecos commitment to long-term care insurance; about our goal to handle every policyholder claim correctly and what we are doing in that regard to do so; about the harm misperceptions of long-term insurance is causing consumers; and about Consecos commitment to be part of the solution to assuring that Americans have access to long-term care products to meet their needs.

I. About Consecos, Inc.

As one of the largest providers of long-term care insurance, Consecos mission is to be a leading provider of financial security for life, health and retirement needs of middle income Americans. Our companies provide supplemental health insurance, life insurance and annuities. Through our subsidiaries and a nationwide network of distributors, Consecos helps more than 4 million customers step up to a better, more secure future. Consecos is a Fortune 1000 company, with more than \$4 billion in annual revenues.

II. Consecos Commitment to Long-Term Care Insurance

We are committed to this market and to working with government leaders and regulators to find ways to assure that policyholders can have that security, supported by a private long-term care system that meets their needs at an affordable cost.

These policies are vital to an aging America, and we are deeply concerned that misperceptions about insurance companies and inflammatory

rhetoric in the media may cause those who need this protection the most to avoid these products or allow existing policies to lapse. Such a loss of confidence would have serious consequences.

As this Committee knows, skyrocketing medical and long-term care costs are placing a growing burden on consumers, as well as on taxpayers who fund publicly-financed protection programs such as Medicaid and Medicare.

Americans are rightly concerned about whether their accumulated savings will adequately cover their possible needs for long-term care. With the baby boomer generation rapidly reaching retirement age, Americans living longer, corporate retirement benefits being curtailed and publicly-financed programs under stress, consumers should be encouraged to take the initiative to plan for their own futures.

This is especially true for America's middle class—those who have too much money to be able to rely on Medicaid but are too poor to fully pay for their long-term care needs. Their untenable choice is to spend down their assets, sacrificing their financial legacy before turning to government assistance.

To meet this urgent need, Consecro and others in the insurance sector have developed a wide range of products to give consumers the peace of mind that their needs for long-term care will be met.

We fully understand that we can only serve this need if consumers know us to be reliable, long-term partners.

That means insurance companies must:

- underwrite policies that provide a clear, plain-English explanation of the benefits we will provide;
- market products fairly and ethically, assuring that consumers are sold policies that appropriately suit their needs;
- maintain the financial health of their institutions so they can be there when needed by their policyholders; and
- provide responsive customer service that is respectful of our customers and their time, including paying claims quickly and efficiently.

In short, we must demonstrate every day the value of this product and earn the trust of consumers.

The facts show that their trust would be well-placed. Consecro today has nearly 600,000 active policyholders. We pay claims to between 24,000 and 25,000 policyholders every month for a total of three quarters of a billion dollars per year.

Although we pay over 98% of submitted claims, there are instances in which we make mistakes. Some of those mistakes were caused by problems with systems and processes; some involved human error. We take full responsibility for those mistakes. I assure you, we have been working diligently over the past 18 months to improve our claims handling systems and procedures to serve our customers better. We have also stepped up our training procedures for field personnel and call centers alike to do a better job of selling the right

policies in the right way and to assure that, once sold, these policies are administered in a timely and correct manner.

III. Consecos Goal Is To Handle Every Claim Correctly

Conseco has invested a significant amount of capital and resources toward improving service to its customers. In late 2006, we launched a comprehensive program specifically to improve the level of service and accuracy of claim decisions in Long Term Care. Since that time, we've invested over 12 million dollars in system and process improvements, and plan to spend an additional 15 million dollars in 2008 and 2009. We are seeing very positive results in both the service levels and claim accuracy, and remain committed to the course we set in 2006 to achieve industry best practices throughout our operation. Conseco's Long Term Care business is among the largest in the industry. We protect nearly 600,000 individuals, and pay over \$750 million in claims each year. As a major Long Term Care insurance carrier, we recognize our responsibility to lead by example and satisfy our obligations to our policyholders.

We realize that we will never be perfect and that no matter how much value we provide and how well we take care of policyholders, there will always be some who are unhappy. We also understand that the voices of even a small minority of unhappy policyholders can color the perception of an entire industry when heard through the megaphone of national media coverage. We think there is no question that our industry is particularly vulnerable to public perceptions being determined by anecdote.

Let me assure you that in those cases where we fall short of our obligations to our policyholders, we have made and will continue to make proper restitution. I think a dispassionate review of objective data would show that our industry performs far better than the perception in the public eye shaped by the media.

As members of the Committee may know, we recently underwent a multistate regulatory exam of our long-term care business at Consecro. Less known is that our relatively new management actually encouraged that exam in 2007 because we believed we were making significant progress as a result of the program launched in late 2006, and doing a better job than was being portrayed in some media accounts. Indeed, we believed that transparency and an objective evaluation of our company would show that to be the case. We didn't expect to get a clean bill of health, and we didn't get one. We have taken to heart those areas where our regulators found we must be better, and we are working toward that goal and appreciate the constructive criticism. We were also gratified that the exam found no systematic pattern of wrongful claims denial, a fact we had consistently asserted but one that all too often fell on deaf ears. With that exam now behind us, we are confident that the commitments we have made to regulators and the investments we are making to improve systems and processes further will lead to higher levels of customer satisfaction.

IV. Misperceptions About Long-Term Care Insurance Harms Consumers

One danger we should all recognize is that the damage caused by misperceptions of long-term care do not accrue just to insurance companies.

Indeed, if a widely held misperception that insurance companies are failing their policyholders took hold, then that loss of confidence would have dire implications, not just for our industry, but for America's senior citizens, its taxpayers and its future.

In fact, left unanswered, misperceptions of the long-term care insurance industry may already be having adverse unintended consequences for society.

When we were first contacted by this committee, I read Congressman Dingell's views on the importance of long-term care policies and the crucial role they play in the financial security of aging Americans with great interest. I couldn't have agreed more. In fact, it sounded like a letter I would have written.

He is right to be concerned that when insurance companies fail to provide benefits under long-term care policies, the government may have to take up the slack through publicly-financed programs like Medicaid and Medicare.

Quite frankly, broad-brush criticism of long-term care policies could place an even greater burden on the government. Why?

We have seen alarming evidence that consumers are being scared away from purchasing long-term care policies. In fact, in the wake of erroneous media stories, we saw a spike in long-term care policyholders allowing their policies to lapse. One can only assume that they fear the carriers would not pay benefits as they should.

In allowing these policies to lapse, they are losing a valuable asset they have paid for—one they may never be able to replace.

The policyholder loses and taxpayers lose if the former policyholder is forced to rely on Medicaid.

We believe in the importance of private payor long-term care insurance to help fund America's growing long-term care needs.

I sincerely hope that the Committee doesn't allow a small percentage of times we didn't make the appropriate payment to drown out the huge percentage of cases in which we make good on what we promise, which benefits greatly both consumers and the government. And, as I said earlier, we are working diligently to improve upon this success rate.

V. Consecos Seeks To Be Part Of The Solution

Imagine for a moment a world in which consumers and insurance companies both agree on what a policy covers and the benefits are paid out completely right. I think we would all agree that society would be well served. Consumers have protected themselves, they are not dependent on publicly-financed programs, and they are assured of receiving the long-term care they need.

Insurance companies should be valued partners with government, in the vanguard of education, promotion of long-term care insurance, and protecting publicly-financed programs such as Medicaid and Medicare.

Let me be very clear that Consecos is committed to being part of the solution to what otherwise could be a crisis in long-term care as the population ages.

To that end, we are interested in working with this Committee and our regulators to find ways to assure that Americans can live their lives in dignity, supported by a private health care insurance system that provides what they need at a cost they can afford. We hope that the kind of open discussion we are having today will benefit all parties by calling attention to the facts, including the need for and value of LTC coverage to secure our seniors' futures.

We would like to play a constructive role in assuring that long-term care policies:

- Are clear to understand;
- Adhere to standardized measures and definitions so consumers can more easily compare long-term care insurance products; and
- Truly meet the needs of consumers in a timely and professional manner.

We look forward to discussing our ideas with government and industry to better help the public we are both here to serve. We also look forward to working every day to meet our commitments to our policyholders and the nation.

Thank you again for the opportunity to testify about our views on the important issue of long-term care insurance. Consecro is deeply committed to serving our marketplace well. We appreciate the critical oversight this Committee provides and look forward to continuing to work with you.

I would be happy to respond to your questions.